COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1693-04
Bill No.: Perfected HCS for HB 978 & 1028
Subject: Energy; Environmental Protection; Housing; Revenue Dept.; Tax Credits
Type: Original
Date: April 22, 2009

Bill Summary: Would create several new tax credit programs

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue *	($14,279,112 to ($22,285,779)	($333,722) to ($12,680,389)	($353,590 to $12,700,257)
Total Estimated Net Effect on General Revenue Fund *	**($14,279,112 to ($22,285,779)**	**($333,722) to ($12,680,389)**	**($353,590 to $12,700,257)**

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Missouri Alternative Energy Loan Authority	Unknown to (Unknown)	Unknown to (Unknown)	(Unknown to (Unknown)
Total Estimated Net Effect on Other State Funds	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**(Unknown to (Unknown)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 24 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	5	5	5
Missouri Alternative Energy Loan Authority	1	1	1
Total Estimated Net Effect on FTE	**6**	**6**	**6**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government *	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

FISCAL ANALYSIS

ASSUMPTION

Section 135.663 Tax Credit Program for Green Build Homes

Officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the State Treasurer**, the **Department of Economic Development** and the **Public Service Commission** assume this proposal would have no fiscal impact to their organizations.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** stated that this proposal would authorize an income tax credit for homes built using green build standards. The credit would range from 45 cents to $1.15 per square foot of the home and would be based on the percentage of the level of green build standards met as verified by a program-certified, third-party verifier. The credit would not be refundable but could be transferred and could be carried back or carried forward to any tax year. The credit would be on a first-come, first-served filing basis and could not exceed $2 million per fiscal year.

Officials from the **Department of Revenue** (DOR) assume this proposal would create new tax credit program, which would reduce the amount of tax due and state revenues.

For tax years beginning on or after January 1, 2010, taxpayers would be allowed a credit for eligible costs at the following rates:

* $0.45 per square foot that meets NAHB or LEED-H Bronze Level or LEED-H Certified Level;
* $0.65 per square foot that meets the NAHB or LEED-H Silver Level;
* $0.90 per square foot that meets the NAHB or LEED-H Gold Level; or
* $1.15 per square foot that meets the NAHB Emerald or LEED-H Platinum Level

The credit could not exceed state tax liability and is not refundable but may be transferred, sold or assigned and could be carried back to any of the taxpayer's previous tax years or carried forward to any subsequent tax years. The credit would be capped at $2 million annually, and credits would be issued on a first-to-file, first-to-receive basis. DOR would create rules to implement the proposal.

DOR officials stated that modifications would be required to individual and corporate income tax forms and to the MINITS, COINS, CAFE, and EDW systems.

ASSUMPTION (continued)

DOR officials stated that Personal Tax would need one FTE Revenue Processing Technician I for every 4,000 credits claimed; Collections & Tax Assistance would need one FTE Tax Collection Technician I for every additional 24,000 contacts annually to the non-delinquent tax line; one FTE Revenue Processing Technician I for every additional 4,800 contacts annually to the field offices; and Corporate Tax would require one FTE Revenue Processing Technician I to handle the additional redemptions, return verification and correspondence related to the new credit, and one FTE Revenue Processing Technician I to evaluate the applications and approve the credits.

DOR officials provided an estimate of the cost to implement the proposal including five additional employees and the related equipment and expenditure amounts totaling $193,070 for FY 2010, $205,428 for FY 2011, and $211,591 for FY 2012.

Officials from the **Office of Administration**, **Division of Budget and Planning** assume this proposal would create a credit for newly built homes which meet Green Build standards. The tax credit is not refundable but may be carried forward or back without limit. The annual cap on this program is $2M; general and total state revenues may be reduced annually by that amount.

Oversight notes that this program is capped at $2 million per year and that a claim for one new home with 2,000 square feet at the lowest eligible standard would be for a tax credit of (2,000 square feet x 45 cents per square foot) = $900. The $2 million annual cap would provide 2,222 tax credits; however, Oversight assumes that many tax credit applications would be for homes which meet a higher technical standard. Thus there would likely be fewer than 2,222 claims. Oversight assumes the program could be implemented with one additional FTE. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employee to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR estimate of equipment and expense costs in accordance with OA budget guidelines, and Oversight assumes that an additional employee could be accommodated in existing office space.

ASSUMPTION (continued)

Oversight notes that this proposal would become effective for construction or improvements on or after January 1, 2010 and result in claims for 2010 filed in January 2011, (FY 2011). For fiscal note purposes, Oversight will indicate a range of cost for tax credits from $0 (no successful applications) to $2 million (the program cap) for fiscal years 2011 and 2012, and will include cost for DOR for six months of FY 2011, and a full year for 2012.

DOR officials also provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration**, **Information Technology Service Division** (ITSD/DOR) estimate the IT portion of this request could be implemented using one FTE existing CIT III for two months for modifications to the MINITS system and three FTE existing CIT III for one month for modifications to the COINS, Café, and E-file systems. The total estimated cost is $22,205. ITSD/DOR assumes this proposal could be implemented with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

Oversight assumes that ITSD/DOR could implement this proposal with existing resources.

Section 135.403 Tax Credit Program for Alternative Energy Equipment Manufacturers

Officials from the **Office of Administration - Budget and Planning (BAP)** stated that this proposal would increase the cumulative cap on the Capital Tax Credit program from $13 million to $30 million. Therefore, this proposal could lower general and total state revenues by up to $17 million.

Officials from the **Department of Revenue** and the **Office of the State Treasurer** stated that a similar proposal (HB 1028 LR 1612-02) would not fiscally impact their respective agencies.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** stated that a similar proposal (HB 1028 LR 1612-02) would re-establish the Small Business Investment Capital Tax Credit program. The cap for this program is $30 million (cumulative cap, not annual cap). Business and Community Services (BCS) assumed the need for one additional FTE and related costs to administer the program. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards and ensuring compliance with the program. The related costs for this FTE include one-time expenditures for systems furniture, a side chair, file cabinet, calculator and telephone and recurring costs for office supplies, computer, professional development and travel.

The proposed legislation would have a negative impact on total state revenues of an additional $30 million over a period of several years because this is a cumulative cap rather than an annual one. The Department of Economic Development is unable to determine the duration of the cap or the exact amount of impact to total state revenue.

DED assumes the cost of the additional FTE would total roughly $70,000 per year.

This proposal would increase the aggregate cap on the Capital tax credit program from $13 million to $30 million. The $13 million aggregate cap has already been exhausted; therefore, no additional Capital tax credits are being issued. The additional $17 million in credits that will be available with passage of this bill could be all issued in a single year, or could be spread over many years. In order to reflect the full potential of an additional $17 million in credits that can be issued under this revamped program, **Oversight** will spread the $17 million in tax credits over the three years of the fiscal note.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous four years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 81 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied. Therefore, under this proposal, if $17,000,000 of additional credits are issued, Oversight would assume $14,110,000 (83 percent) of credits to be redeemed, reducing Total State Revenues.

ASSUMPTION (continued)

Oversight assumes there would be some positive benefit to the state from the changes in this proposal; however, Oversight considers those benefits to be an indirect effect and have not reflected such on the fiscal note.

Section 256.620 Water Systems Servicing Charitable or Benevolent Organizations

Officials from the **Department of Natural Resources (DNR)** stated that this section of the proposed legislation would amend the Water Well Drillers Act to exempt any public water system serving any benevolent or charitable organization from all rules related to well construction except for rules applying to domestic wells and rules that require proof of quantity of water drawn from such wells, if the total volume of water drawn from the well does not exceed 15,000 gallons per month and the well or pump installation does not present a threat to groundwater. The 15,000 gallon limitation does not apply to water systems serving a shelter or similar emergency facility during a local, state or national emergency.

DNR assumed there are five or more wells per county that meet this exemption, and one fifth of those would be inspected each year. DNR would require monthly reporting from the exempt wells to establish they are in fact exempt. In addition, DNR would conduct periodic inspections of such facilities to review their qualifications for the exemption as well as other aspects of public drinking water supplies. DNR would request one (1) Environmental Specialist I/II/III to conduct the additional activities created by this proposal. Costs to inspect these facilities would be approximately $62,130 annually ($545 per inspection).

Oversight has, for fiscal note purposes only, changed the starting salary for an Environmental Specialist I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Section 360.106 LEED Certification for School District Construction Projects

In response to a similar proposal (HCS for HB 647, LR 1798-02) officials from **DNR** stated their agency would not anticipate a direct fiscal impact from this section.

ASSUMPTION (continued)

Officials from the **Office of Administration**, **Division of Budget and Planning** (BAP) stated that this proposal would require schools to provide a cost comparison of proposals for new buildings that meet vs. proposals that do not meet certain Green Building standards. BAP defers to DESE for any impacts to school districts.

Officials from the **Department of Elementary and Secondary Education** stated that a similar proposal (HCS for HB 647, LR 1798-02) would require school districts participating in the Missouri Health and Educational Facilities Authority (MOHEFA) direct deposit program to certify a cost analysis of building to LEED certification or equivalent versus without LEED certification or equivalent. This is a new cost to school districts to participate in the direct deposit program which will be paid by taxpayers of the district through a probably higher debt service tax rate. In addition, MOHEFA will have increased administrative costs for reviewing all agreements to ensure these provisions have been met. The increased MOHEFA costs will increase the amount the state must pay MOHEFA for administering the direct deposit program. Since the funding for MOHEFA administration costs comes from the Gaming Proceeds for Education Fund, any increase to MOHEFA results in less for the school foundation formula.

Neither the local cost nor the MOHEFA cost can be estimated but in the aggregate would be greater than $100,000.

Oversight assumes additional administrative costs incurred by MOHEFA to review the cost analyses will be absorbed within current appropriations. If a significant number of school districts pursue funding through MOHEFA, additional funding could be requested from the School District Bond Fund.

Section 386.754 Provision of HVAC Services by Utilities

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** stated that a similar proposal (HCS for HB 647, LR 1798-02) would have no fiscal impact on their respective divisions.

Officials from the **Office of State Courts Administrator** stated that a similar proposal (HCS for HB 647, LR 1798-02) would have no fiscal impact on the Courts.

ASSUMPTION (continued)

Officials from the **Office of Attorney General** assumed that any potential costs arising from a similar proposal (HCS for HB 647, LR 1798-02) could can be absorbed with existing resources.

Officials from **DNR** stated that their agency would not anticipate a direct fiscal impact from a similar proposal (HCS for HB 647, LR 1798-02).

Section 393.1122 Missouri Alternative Energy Loan Authority

Officials from the **Office of State Treasurer** stated that a similar proposal (HCS for HB 647, LR 1798-02) would have no direct fiscal impact on their agency.

Officials from the **Office of Administration**, **Division of Budget and Planning** assume this proposal would create the Missouri Alternative Energy Loan Authority to provide low-interest loans for the development of energy efficient buildings. The Authority would be comprised of seven persons appointed by the governor. Moneys would be appropriated to the Missouri Alternative Energy Loan Authority Fund; the first such appropriation would be $14M. This proposal would have no impact on general and total state revenues, but would require appropriations.

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** stated that a similar proposal (HCS for HB 647, LR 1798-02) would have no fiscal impact on their respective divisions.

Officials from the **Office of the Governor** stated that a similar proposal (HCS for HB 647, LR 1798-02) would result in no added cost to the Governor's Office.

Officials from the **Department of Natural Resources (DNR)** assumed their Energy Center would require resources to carry out the duties that would result from the proposal with regard to rule making, financial administration including loan application review, technical review and loan closing; general and specific inquires regarding loans available through the Authority and record retention.

DNR assumed they would request one (1) Energy Specialist II, one (1) Energy Engineer II and 0.5 Office Support Assistant to implement this proposal.

ASSUMPTION (continued)

Oversight reviewed information available from another loan authority and assumes one staff position would be sufficient to administer this program since it is unknown how many loans would be generated in a given year.

Oversight has, for fiscal note purposes only, changed the starting salary for an Energy Specialist II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Based on "reasonable and necessary expenses" for board members from other boards within the Department of Insurance, Financial Institutions and Professional Registration, **Oversight** has estimated the cost per meeting per member at $272.50. Estimating a total of six meetings per year, the annual cost for the seven members would be $11,445 in FY 09, $11,788 in FY 10, and $12,142 in FY 2012.

Oversight assumes that it is not known if all of the initial appropriation of $14,000,000 to the Missouri Alternative Energy Loan Authority Fund will be distributed the first year to eligible entities or if there will be carryover to future years. O**versight** further assumes that income in the form of loan repayments, fees, and charges may begin to be credited to the fund beginning in FY 2010.

Section 414.530 Missouri Propane Education and Research Council

Officials from the **Department of Agriculture** assumed there would be no fiscal impact to their agency from a similar proposal (HCS for HB 647, LR 1798-02).

Officials from the **Department of Natural Resources** assume there would be no fiscal impact to their agency from this proposal.

ASSUMPTION (continued)

Section 640.300 Voluntary Environmental Audits

Officials from the **State Auditor's Office** and **Department of Transportation** assumed no fiscal impact to their agencies from a similar proposal (HCS for HB 647, LR 1798-02).

Officials from the **Department of Natural Resources (DNR)** assumed the language as currently written is consistent with the federal audit policy. Therefore, for purposes of this fiscal note, DNR would not anticipate any significant direct fiscal impact from this proposal.

In response to a similar proposal (HCS for HB 647, LR 1798-02) officials from the **Office of Attorney General (AGO)** assumed there may be additional litigation resulting from the proposal, and that §640.300 - 640.340 of the proposal would result in additional costs to hire expert witnesses to replace the information currently available in environmental audit reports. Costs are unknown but potentially significant, requiring additional staff.

Oversight assumes the presumed additional litigation is speculative and for fiscal note purposes only, will assign no cost. If this portion of the proposed legislation does indeed result in significant increased litigation, personal services can be requested though the appropriations process.

This proposal could reduce Total State Revenues.

ASSUMPTION (continued)

Amendment 1 Section 135.650 Storm Shelter Tax Credit Program

Officials from the **Office of Administration**, **Division of Budget and Planning** assume there would be no added cost to their organization as a result of a similar proposal (HB 39 LR 0092-01). BAP officials stated that the proposal would provide a tax credit for the lesser of 50% of the costs or $1,000 for the construction of a storm shelter after the year 2002. The cumulative amount of tax credits under this program could not exceed two million dollars. Therefore general and total state revenues might be reduced by up to $2 million annually. BAP officials also stated that this proposal may cause administrative issues for the Department of Revenue; BAP defers to the Department of Revenue for estimated costs.

In response to a similar proposal (HB 39 LR 0092-01), officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 39 LR 0092-01) would create a tax credit for the costs of building a storm shelter for all taxable years beginning on and after January 1, 2010. The credit would be equal to the lesser of $1,000 or 50% of the incurred cost, could not exceed the taxpayer's state tax liability, would not be refundable, and could not be transferred, sold or assigned. No taxpayer could be issued more than one credit. The cumulative amount of tax credits in any fiscal year could not exceed $2 million; if the credits exceed $2 million DOR would apportion the available credit amount equally among all taxpayers. DOR would promulgate rules to implement the proposal.

ASSUMPTION (continued)

DOR officials stated that modifications would be required for tax forms and computer systems. Personal Tax would require one FTE Revenue Processing Technician I (Range 10, Step L) for every 6,000 credits claimed; and Collections and Tax Assistance would require one FTE Tax Collection Technician I (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line and one FTE Tax Collection Technician I (Range 10, Step L) for every additional 24,000 contacts annually on the non-delinquent tax line.

DOR officials also provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration**, **Information Technology Services Division** (ITSD/DOR) estimate the IT portion of this request could be implemented using one FTE existing CIT III for two months for system modifications to the MINITS system at a total cost of $8,882. ITSD/DOR officials assume the proposal could be implemented with existing resources; however; if priorities shift, additional FTE or overtime would be needed.

DOR submitted a cost estimate to implement this proposal including three additional FTE and related equipment and expense of $115,843, for FY 2010, $123,257 for FY 2011, and $126,954 for FY 2012.

Oversight notes that this proposal would provide a maximum credit for an individual filer of one thousand dollars with a maximum total credit amount of two million dollars per state fiscal year. Therefore only ($2,000,000/$1,000) = two thousand filers could receive the full one thousand dollar credit in any one fiscal year. If more than two million dollars in tax credit claims are filed, the maximum amount would be apportioned among the filers.

Oversight could not find any information regarding the number of storm shelters constructed in Missouri. Therefore, based on the amount of tax credits available, Oversight assumes that these claims could be processed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Oversight notes that this language would provide a tax credit for the lesser of fifty percent of the cost of a storm shelter or $1,500 with a $2 million aggregate cap on the program. Oversight will indicate a range of fiscal impact to the General Revenue Fund from $0 to $2 million.

ASSUMPTION (continued)

Amendment 2 Section 256.620 Water System Inspections

These provisions would exempt certain low-volume a water systems operated by religions or charitable organizations from most Safe Drinking Water Commission regulations.

Oversight notes that this amendment would appear to replace the language in the legislation with similar language in the amendment. Any fiscal impact for these provisions has already been included in the fiscal note based on the original language.

Amendment 3 Section 640.698 Solar Water Heating System Incentive Program

These provisions would create a financial incentive program for builders and homeowners who install solar water heating systems. A homeowner could receive one $500 payment per year and a builder could receive three $500 payments per year. The program would be capped at $100,000 per year. The Department of Natural Resources would develop regulations for the program and make the payments.

Officials from the **Office of the Secretary of State** (SOS) stated in response to a similar proposal that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

In response to a similar proposal, officials from the **Department of Revenue** assumed there would be no fiscal impact to their organization.

ASSUMPTION (continued)

Officials from the Department of Natural Resources included an estimate of cost to implement the proposal including one additional FTE Energy Specialist II to administer the program and one additional FTE Office Support Assistant. The total DNR cost estimate to administer the program was approximately $100,000 per year.

Oversight notes that the program would generate approximately 200 payments per year and assumes the program could be administered with existing staff. Oversight will indicate a fiscal impact from $0 to $100,000 per year. The fiscal impact would be limited to $80,000 for FY 2010 since payments would be made quarterly and only four payment dates would be available in FY 2010 after the enactment of the proposal.

Amendment 4 Section 135.610 Volunteer Firefighter Tax Credit Program

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** stated that a similar proposal (HB 204, LR 0856-02) would provide a tax credit for volunteer fire fighters who meet specific training requirements. The legislation would provide for a tax credit of $180 annually for volunteers who complete 12 hours of training approved by the Division of Fire Safety. Additionally, the legislation would provide a $360 tax credit for volunteer fire fighters who complete the Basic Fire Fighter course, or Fire Fighter 1 or 2 certification, or a minimum of 36 hours of fire fighting annually. According to the legislation, the DFS would be responsible for developing procedures for this process, administering the training programs and verifying the fire fighter is in good standing with a registered fire department, and verifying the training hours for individuals applying for the credit.

The Division of Fire Safety has administered and maintained a training and certification program for fire fighters for nearly 20 years. Due to the number of fire fighters and emergency responders who have been previously trained and certified, adding this requirement would increase the workload of the program. Therefore, the Division would request a one-thousand hour clerical position to process and evaluate the applications for tax credit eligibility, along with supporting expense funding to administer these additional duties.

The Division estimates there are 625 volunteer fire departments with 12,652 fire fighters. Additionally, there are 80 part volunteer/part paid departments with another 3,211 fire fighters in the State of Missouri.

ASSUMPTION (continued)

The division currently offers 15 levels of certification and numerous training programs and has issued over 50,000 certifications since the program's implementation in 1986.

This number will only continue to grow as there are approximately 4,000 individuals certified annually.

DFS estimates the cost of the part-time clerical position to be roughly $12,000 per year.

Officials from the **Department of Revenue (DOR)** stated in response to a similar proposal (HB 204, LR 0856-02) that the Department of Public Safety states there are a total of 25,000 firefighters in Missouri. The Division of Fire Safety estimates that approximately 80% of these are volunteer firefighters; therefore, it is estimated that there are approximately 18,000-20,000 volunteer firefighters in Missouri. This is an estimated number as volunteer firefighters are not required to register with the state. The response to HB 1367 (2008) did not include the approximate number of volunteer firefighters; therefore, the Department's response was based on one (1) FTE for every 6,000 credits claimed. For this proposal, DOR assumes the need for three Revenue Processing Technicians at a total annual cost of roughly $140,000.

With an estimate of 13,000 tax credits redeemed, **Oversight** will assume the Department of Revenue would be able to administer the tax credit program with two FTE instead of the three FTE requested. Oversight also assumes the Department of Revenue would not require additional floor space to accommodate two additional employees.

DOR officials also provided an estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration**, **Information Technology Service Division** (ITSD/DOR) estimates the IT portion of this request could be implemented with one FTE existing CIT III for one month for modifications to the MINITS system at a total cost of $4,441. ITSD/DOR officials assume the proposal could be implemented with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning** state that a similar proposal (HB 204, LR 0856-02) would authorize an income tax credit of $180 per firefighter that has completed certain training requirements and a $360 income tax credit per taxpayer that has completed Basic additional certification programs. The Department of Public Safety estimates that there are around 13,000 volunteer firefighters that might qualify for the $180 credit. This could therefore lower general revenue and total state revenues by $2.34 million. If the same taxpayers qualify for the $360 tax credit, general and total state revenues could be lower by $4.68 million.

Officials from the **Office of the Secretary of State (SOS)** stated in response to a similar proposal (HB 204, LR 0856-02) that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight will range the fiscal impact of the tax credit from $0 (no firefighters taking advantage of the credit) to a loss in general revenues of $2.34 million (estimated 13,000 volunteer firefighters x $180 maximum tax credit) in the first year and $4.68 million (same 13,000 firefighters x $360 credit) in subsequent years. The fiscal impact could be substantially less if fewer firefighters apply for the credit and if those that do apply for the credit only qualify for the $180 credit instead of the $360 credit. The credit is for tax years beginning on or after January 1, 2009, therefore, Oversight will show a potential loss from the proposal in FY 2010.

ASSUMPTION (continued)

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous four years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 81 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if $4,680,000 of credits are issued, Oversight would assume $3,884,400 (83%) of credits to be redeemed, reducing Total State Revenues.

This proposal would decrease Total State Revenues.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
Cost - DED			
Personal Service (1 FTE)	($35,803)	($44,252)	($45,580)
Fringe Benefits	($17,411)	($21,520)	($22,166)
Expense and Equipment	($10,338)	($3,686)	($3,795)
Total Costs - DED	($63,552)	($69,458)	($71,541)
Cost - DOR			
Salaries (1 FTE)	$0	($11,680)	($24,061)
Benefits	$0	($5,680)	($11,701)
Equipment and expense	$0	($5,743)	($889)
Totals	$0	($23,103)	($36,651)
Cost - DNR - well inspections			
Personal Services (1 FTE)	($24,296)	($30,809)	($31,733)
Fringe Benefits	($12,122)	($14,982)	($15,432)
Equipment and Expenses	($10,082)	($2,142)	($2,207)
Total	($47,130)	($47,933)	($49,372)
Cost - Missouri Alternative Energy Loan Authority	($14,000,000)	$0	$0

Revenue reduction - expansion of Capital Tax Credit program	$0 to ($5,666,667)	$0 to ($5,666,667)	$0 to ($5,666,666)
Revenue reduction - tax credit for storm shelter construction	$0	$0 to ($2,000,000)	$0 to ($2,000,000)
Cost - Solar Water Heating Incentive Payments	($80,000)	($100,000)	($100,000)
Costs - Department of Public Safety			
Part-time clerical position	($12,089)	($12,154)	($12,518)
Costs - Department of Revenue			
Personal Service (2 FTE)	($43,569)	($53,851)	($55,467)
Fringe Benefits	($21,188)	($26,187)	($26,974)
Expense and Equipment	($11,584)	($1,036)	($1,067)
Total Costs - DOR	($76,341)	($81,074)	($83,508)
FTE Change - DOR	2 FTE	2 FTE	2 FTE
Loss - Tax Credit for volunteer firefighter training	$0 to ($2,340,000)	$0 to ($4,680,000)	$0 to ($4,680,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	**($14,279,112) to ($22,285,779)**	**($333,722 to ($12,680,389)**	**($353,590) to ($12,700,257)**
Estimated Net FTE Effect on General Revenue Fund	5	5	5

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY FUND			
Income - General Revenue - Appropriation	$14,000,000	$0	$0
Income - Loan repayments, fees and charges	Unknown	Unknown	Unknown
Cost - Loans to qualifying entities	(Unknown)	(Unknown)	(Unknown)
Cost - Expenses of Missouri Alternative Energy Loan Authority members	($11,445)	($11,788)	($21,142)
Cost - Department of Natural Resources			
Personal Services (1 FTE)	($29,211)	($36,105)	($37,188)
Fringe Benefits	($14,205)	($17,558)	($18,085)
Equipment and Expenses	($7,576)	($2,142)	($2,207)
Total	($50,992)	($55,805)	($57,480)
ESTIMATED NET EFFECT ON MISSOURI ALTERNATIVE ENERGY LOAN AUTHORITY FUND	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**
Estimated Net Effect on FTE on Missouri Alternative Energy Loan Authority Fund	1	1	1

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
Income - Loans from Missouri Alternative Energy Loan Authority	Unknown	Unknown	Unknown
Savings - Reduced utility costs	Unknown	Unknown	Unknown
Cost - Renewable energy projects and energy efficiency and related expenses	(Unknown)	(Unknown)	(Unknown)
Cost - Loan repayments, fees and charges	(Unknown)	(Unknown)	(Unknown)
Cost - School Districts - Cost analysis of LEED certification for construction projects	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which construct eligible homes or use the tax credits provided. The proposal would also stimulate the availability, sale and installation of energy efficiency and renewable energy products throughout the state. Small businesses that qualify for the additional categories in the linked deposit program could be positively impacted by this proposal.

FISCAL DESCRIPTION

This proposal would create a tax credit program for homes built using green build standards.

It would also amend the Water Well Drillers Act to exempt any public water system serving any benevolent or charitable organization from most rules related to well construction, would make a cost certification relating to LEED standards mandatory for new construction or renovation of any public school building, and would create the Missouri Alternative Energy Loan Authority, within the Department of Natural Resources, to provide low-interest loans to public and private entities for the purpose of financing various energy-saving projects and services.

In addition, the proposal would amend the Linked Deposit Loan Program to include eligible alternative energy consumers and eligible governmental entities, revise the definition of "eligible job enhancement business" to limit the amount of the linked deposit to $50,000 per job created or retained, increase from less than 25 to less than 100 the number of employees a company can employ in order to be considered an eligible small business; and increase the amount of tax credits available for qualified investments in Missouri small businesses to $30 million of which at least $20 million must be for the manufacture of alternative power generation equipment.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Office of the Governor
Office of the Secretary of State
Office of the Attorney General
Office of the State Auditor
Office of the State Treasurer
Office of Administration
    Division of Budget and Planning
Department of Agriculture
Department of Economic Development
    Office of Public Counsel
    Public Service Commission
Department of Elementary and Secondary Education
Department of Revenue
Department of Natural Resources
Department of Transportation

Mickey Wilson

Mickey Wilson, CPA
Director
April 22, 2009